

Message Text

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SUBJ: FAO/UNDP FINANCIAL SITUATION

SUMMARY: AT MEETING OF ROME REPRESENTATIVES OF FAO MEMBER COUNTRIES DECEMBER 19 CHAIRED BY DEPUTY DIRECTOR GENERAL JACKSON, ADGS WEST AND YRIART REPORTED DEVELOPMENTS SINCE CONCLUSION FAO CONFERENCE/COUNCIL ON FINANCIAL PROBLEMS OF FAO RESULTING FROM UNDP LIQUIDITY CRISIS AND RESOURCE LIMITATIONS. IMMEDIATE (NOVEMBER/DECEMBER/PROBABLY JANUARY) ISSUES RESOLVED, BUT PROGRAMMING PROBLEMS FOR 1976 REMAIN ACUTE. A NUMBER OF COUNTRY REPRESENTATIVES, WHILE APPRECIATIVE OF THE STEPS TAKEN BY THE SECRETARIAT AND THE FINANCE COMMITTEE, WERE HIGHLY CRITICAL OF SITUATION IN UNDP AND ITS EFFECT ON DEVELOPMENT PROGRAMS OF LDGS AND ON FAO UNLESS BETTER SOLUTIONS WERE FOUND. HOWEVER, NO MAGIC FORMULAE WERE PROPOSED EXCEPT FOR INCREASES IN DONOR PLEDGES, EARLIEST TRANSFER PAYMENTS TO UNDP AND INSISTANCE ON JOINT (JNDP, RECIPIENT COUNTRIES AND FAO) REVIEW OF PROGRAM IMPLICATIONS AND CHOICES PRIOR TO UNDP ACTIONS INVOLVING PROGRAM CUT-BACKS.

1. WEST DESCRIBED ARRANGEMENTS, INCLUDING \$10 MILLION LOAN

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TO UNDP AUTHORIZED BY COUNCIL AND AT 11 DECEMBER MEETING FO

FINANCE COMMITTEE, TO BE REPAID BY 31 JANUARY. COMMITTEE HAD REQUESTED D-G OBTAIN AS A CONDITION OF THE LOAN, ASSURANCE OF FULL PAYMENT TO FAO OF JANUARY OBLIGATIONS AS WELL AS DECEMBER, NOVEMBER HAVING BEEN TAKEN CARE OF. COMMITTEE ALSO URGED MORE TIMELY COMMUNICATIONS BETWEEN THE AGENCIES, FULL INFORMATION BY ADMINISTRATOR OF UNDP ON IMPACT OF MEASURES ALREADY TAKEN OR PROPOSED, FURTHER CONSULTATION ON REPROGRAMMING, DESIRABILITY OF D-G HAVING SOME FUNDS AT HIS DISPOSAL FOR FIELD OPERATIONS, AND SUPPORT TO NEWLY ELECTED DGS POLICY STATEMENT AT 68TH SESSION OF COUNCIL, I.E. TEMPORARY FREEZING OF NEW PROGRAMS, TOP LEVEL VACANCIES AND PROMOTIONS.

2. YRIARTT REPORTED ON CONSULTATIONS IN NEW YORK AND AT GENEVA 11 DECEMBER MEETING OF PROGRAM WORKING GROUP (UNDP). HE ASKED THAT REPORT OF THAT PWG BE CALLED TO ATTENTION OF OUR COLLEAGUES IN NEW YORK FOR CONSIDERATION PRIOR TO 15 JANUARY MEETING OF GOVERNING COUNCIL (PWG IS TO MEET AGAIN IN NEW YORK JANUARY 8-9.) PRIMARY THRUSTS WERE TWO: (A) UNDP SHOULD ACT (ORDERLY REPROGRAMMING) ONLY IN CONSULTATION WITH EFFECTED COUNTRIES AND AGENCIES; (B) MEANS MUST BE FOUND OF SMOOTHING OVER THE ADJUSTMENTS (PERHAPS ADVANCES AGAINST THE NEXT CYCLE) RATHER THAN DRASTIC CUTS TO THE 1976 PROGRAM. IN THIS CONNECTION HE ASSERTED THAT PRESENT UNDP PLAN WOULD FACE FAO WITH A 40 PERCENT REDUCTION IN REAL DELIVERY RATES-- 10 PERCENT LESS MONEY; 10 PERCENT INFLATION; 20 PERCENT TO ADJUST FROM THE HIGHER DELIVERY RATE AT YEAR'S END COMPARED TO 1975 AVERAGE.

3. REACTIONS WERE MIXED BUT PREDICTABLE, WITH SOME COUNTRY REPRESENTATIVES ARGUING FOR GREATER FINANCIAL RESPONSIBILITY BY UNDP (FULL PROJECT FUNDING) AND OTHERS WISHING TO AVOID ANY ACTIONS THAT WOULD DAMAGE OR CHANGE THE FIVE-YEAR PROGRAM CYCLE CONCEPT, INCLUDING ITS "CALCULATED RISK" IMPLICATIONS. VIRTUALLY ALL INDICATED THAT THE PROPOSED IMPACT ON FAO FIELD PROGRAMS WAS "UNACCEPTABLE" AND THAT CLOSE COORDINATION WITH THE IMPLEMENTING AGENCIES AND RECIPIENT COUNTRIES WAS ESSENTIAL. WHILE ARGUING THAT MEANS MUST BE FOUND TO AVOID A SHARP REDUCTION IN 1976 DELIVERIES AND SEVERAL IDEAS WERE FLOATED FOR A MORE GRADUAL REDUCTION, IF NECESSARY AT THE EXPENSE OF LATER YEARS, NO ONE SEEMED TO HAVE THE ANSWER TO HOW DOWNWARD ADJUSTMENTS MIGHT BE AVOIDED EXCEPT BY FAST AND SUBSTANTIAL INCREASED CONTRIBUTIONS

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FROM MAJOR DONORS. CLEARLY THE CONCERN NOW IS WITH RESOURCES, AND NOT LIMITED TO LIQUIDITY. VOLPE

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